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TAGS: [EFIN](#) [ECON](#) [PREL](#) [FR](#)
SUBJECT: SARKOZY WANTS TO TALK SUBSTANCE NOVEMBER 15

CLASSIFIED BY EMIN SETH WINNICK FOR REASONS 1.4 (B) AND
(D)

¶1. (U) This is an action request. See para 9.

¶2. (C) Summary: European Affairs Minister Jouyet's Chief of Staff Denis Simonneau and economic affairs advisors told EMIN not to underestimate President Sarkozy's commitment to "refounding capitalism" during the upcoming series of summits. The French goal for November 15 would be agreement on which issues to address, and how to address them. Accounting standards, remuneration, and financial institution supervision and leverage issues would be among likely topics President Sarkozy will raise. In the wake of the crisis all governments will come under political pressure to impose changes in financial market regulation, the summits should help coordinate responses to avoid extra-territorial cross-chop. Simonneau said the EU was unified in its call for reform of the global financial system, differences with member state partners (notably Germany) centered largely on economic policy coordination and the French notion of "economic governance." Simonneau downplayed the significance of possible further Eurogroup heads-of-state meetings, noting the G-4 had met in January without concern over usurpation of Slovene presidency prerogatives. End summary.

ASEM and Beyond

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¶3. (SBU) Denis Simonneau, Chief of Staff to Junior European Affairs Minister Jouyet, Deputy Chief of Staff Benoit de la Chapelle Bizot and Economic Affairs Advisor Thomas Lambert opened a 10/27 meeting with EMIN and Econcouns with a brief on financial market discussions at the 10/24 EU-Asia Summit. Participants (some 43 heads of state, minus PMs Brown and Berlusconi) shared a "common reflection" on the need for reform of international financial architecture, with buy-in from the "capitalists" such as Japan, to the Chinese. Simonneau said the GOJ had laid down a marker as G8 president that Japan had opinions on a number of issues that it would bring to the table.

¶4. (C) Between now and the November 15 summit, Simonneau said key events that would shape French thinking included the November 4 ECOFIN, the informal EU heads of state meeting on November 7, and possibly a COREPER to refine a common EU position. Simonneau underscored the precedent-setting nature of the EU approach: never had the EU come together in this way in advance of a G7/8 meeting to reach a common position.

What France Wants

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15. (SBU) Simmoneau and his deputies said a key goal of the summit process would be to coordinate national responses to the crisis. In Europe as well as in the United States there would be "normal and legitimate" political calls to address perceived policy lacunae in the wake of the crisis. France hoped to avoid a repetition of Sarbanes-Oxley, where, it believed, a national response had extra-territorial consequences on the global financial community that had not been coordinated. The spirit of convergence that prevails in current financial dialogue must be continued in the policy responses to the current crisis.

16. (SBU) In Washington, Simonneau said, the French want participants to agree on the concrete issues to be addressed in the summits, and how best to address them (whether through the creation of working groups, or some other means). Simonneau cautioned that it would be a mistake to underestimate President Sarkozy's intent to "refound capitalism." Among the hands-on issues Sarkozy would likely want to address: accounting standards and mark-to-market practices; financial institution supervision and leverage standards; securitization issues (the French noted current EU proposals to require financial institutions to maintain a portion of originated products on their books); pro-cyclical remuneration policies and their impact on excessive risk-taking.

What France Wants With Its EU Partners

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17. (C) Probed for French thinking on the future of the Eurogroup, Simmoneau downplayed the significance of President Sarkozy's suggestions that it could continue to meet, as needed, in head-of-state format. There was no intent to marginalize the upcoming Czech or Swedish EU presidencies. After the November 15 summit the Eurogroup could decide whether there was a need to come together again, and what role, if any, it should play in head-of-state format. Simonneau reminded that the G-4 had gathered in the UK under the Slovene presidency and nobody had batted an eye. If there was a silver lining in the current crisis, it was that the EU had shown itself capable of quickly coordinating a common position, and that non-Eurozone members had seen the utility of working closely with the Eurogroup

18. (C) On relations with Germany, Simonneau said he had perceived a German aloofness at the outset of the crisis, due, he thought, in part to a sense that German policy had been virtuous and thus there was a reluctance to get involved, and to a challenging electoral calendar. While differences in economic policy approaches remained - from European "economic governance" to sovereign wealth funds - there was strong consensus on the need for reform of the international financial architecture. Simonneau noted that President Sarkozy and Chancellor Merkel had cosigned a letter earlier this year calling for stronger regulation of hedge funds.

Doha?

19. (C) EMIN stated the U.S. saw the November 15 summit also as an opportunity to push for finalizing the Doha round, and encouraged French support. Noting that it was largely the emerging economies that hadn't stepped up to the plate, Simonneau suggested the current context created a more difficult environment in which to reach a deal. With agricultural prices dropping and economic growth flagging, there was little likelihood that emerging economies would be better-positioned to do a

deal now than when growth prospects looked stronger. Simonneau concluded by cautioning against loading up the summit agenda. It would be important to avoid debate that risked ending in failure.

¶10. (C) Action request: The French are moving quickly to develop concrete action items for the November 15 summit. They are keenly interested in USG reactions. The sooner we can get concrete proposals to the French, the better our chances of focusing thinking here on what is and isn't achievable. Post requests substantive points to share with the GOF as early as possible.

STAPLETON